

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 COME-00 CIAE-00 INR-07 NSAE-00

FTC-01 TRSE-00 /028 W

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R 171355Z JUL 75

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 1321

UNCLAS PARIS 18441

E.O. 11652: N/A

TAGS: ETRD, FR

SUBJ: FTC INVESTIGATION OF DIOR-CHANEL JOINT VENTURE
TO MARKET PERFUMES IN U.S.

1. ALAIN CHEVALIER, EXECUTIVE VICE PRESIDENT OF MOET-HENNESSY (FRENCH WINE AND BRANDY PRODUCER WITH SUBSTANTIAL NEW INVESTMENT IN CALIFORNIA) HAS SOUGHT ADVICE OF COMMERCIAL COUNSELOR WITH REGARD TO ON-GOING INVESTIGATION BY FEDERAL TRADE COMMISSION'S NEW YORK OFFICE OF MARKETING JOINT VENTURE IN U.S. BETWEEN MOET-HENNESSY SUBSIDIARY CHRISTIAN DIOR PERFUMES CORP. AND CHANEL INC.

2. FTC REPORTEDLY ALLEGES THAT JOINT VENTURE IS IN VIOLATION OF SHERMAN ACT BECAUSE CHANEL, WHICH HAS EXCLUSIVE MANAGEMENT CONTROL, WILL SET PRICE OF DIOR PERFUMES UNDER AGREEMENT WITH MOET-HENNESSY WHICH PROVIDES THAT DIOR PRICES SHOULD BE SET AT LEVEL IN KEEPING WITH WORLDWIDE PRESTIGE OF BRAND. IN OTHER WORDS DIOR WOULD HIT LUXURY MARKET WHILE CHANEL AIMS AT MASS MARKET. MOET-HENNESSY POSITION IS THAT JOINT VENTURE HAS TOO SMALL MARKET SHARE TO DISRUPT OVER-ALL COMPETITION AND IF JOINT VENTURE IS DISSOLVED MOET-HENNESSY WILL HAVE TO PULL DIOR OUT OF U.S. MARKET THUS DECREASING RATHER THAN INCREASING LEVEL OF COMPETITION IN INDUSTRY. ACCORDING TO CHEVALIER, DIOR MARKET POSITION IS TOO SMALL TO JUSTIFY INDEPENDENT

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SALES ORGANIZATION.

3. CHEVALIER'S SPECIFIC QUESTION IS HOW SHOULD
MOET-HENNESSY PROCEED, I.E. WHAT ARRANGEMENT WOULD
SATISFY FTC CRITERIA AND STILL PERMIT DIOR TO MARKET
JOINTLY WITH CHANEL. ANY ASSISTANCE DEPARTMENT COULD
PROVIDE IN OBTAINING CONSTRUCTIVE RECOMMENDATIONS FROM
FTC ON THIS MATTER WOULD BE HELPFUL TO US IN OUR
RELATIONSHIP WITH MOET-HENNESSY, WHICH PROMISES TO BE
INCREASINGLY IMPORTANT REVERSE INVESTOR.
RUSH

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COSMETICS, JOINT VENTURES, PRICES
Control Number: n/a
Copy: SINGLE
Draft Date: 17 JUL 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975PARIS18441
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750247-0830
From: PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750747/aaaabpnx.tel
Line Count: 70
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: hartledg
Review Comment: n/a
Review Content Flags:
Review Date: 05 MAR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <05 MAR 2003 by ThomasVJ>; APPROVED <23 MAR 2004 by hartledg>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
06 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FTC INVESTIGATION OF DIOR-CHANEL JOINT VENTURE TO MARKET PERFUMES IN U.S.
TAGS: ETRD, FR, CHANEL INC, CHRISTIAN DIOR PERFUMES INC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006